



OTOE-MISSOURIA TRIBE OF INDIANS

8151 HIGHWAY 177
RED ROCK, OK 74651-0348

February 10, 2014

U.S. Environmental Protection Agency
Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733

Re: 2012 A-133 Audit

Dear Sirs:

Enclosed please find a copy of the 2012 audit that was finalized and filed at the Clearinghouse on February 4, 2014 for the Otoe-Missouria Tribe of Oklahoma (Tax ID#73-1144677).

Now that the 2012 audit has been filed, and the Tribe is current with A-133 requirements, we continue to work with our contracted accounting firm and have scheduled our 2013 audit fieldwork for April 2014 and are committed to file the 2013 audit timely by September 30, 2014. Should you have any questions please don't hesitate to contact me to discuss.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Gawhega".

Michael Gawhega, Executive Director
Otoe-Missouria Tribe of Oklahoma
8151 Hwy 177
Red Rock, OK 74651-0348
580-723-4466 Ext. 130

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ENVIRONMENTAL JUSTICE
AND TRIBAL AFFAIRS

Otoe-Missouria Tribe of Indians

Primary Government
Financial and Compliance Report
December 31, 2012

Otoe-Missouria Tribe of Indians

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Interior			
Passed through Bureau of Indian Affairs:			
Aid to Tribal Government	15.020	CTB07T81191	\$ 82,054
Consolidated Tribal Government Program - Job Placement	15.021	CTB07T81195	17,030
Consolidated Tribal Government Program - Johnson O'Malley	15.021	CTB07T81197	35,669
Indian - Adult Education	15.026	CTB07T81194	9,970
Indian Law Enforcement	15.030	CTB07T81198	559,193
Indian Economic Development	15.032	CTB07T81192	199
Indian Social Services - Welfare Assistance	15.113	CTB07T81196	19,971
Indian Education - Higher Education Grant	15.114	CTB07T81193	126,873
Indian Child Welfare Act - Title II Grants	15.144	GTB07T81114	63,934
Transportation Improvement	15.205	CTB07T81199	74,017
Total U.S. Department of Interior			988,910
Indian Health Services			
Inter-Tribal Health Board Pandemic Flu Plan	93.441	N/A	2,000
Tribal Self Governances IHS 638 Contracts	93.441	HHSI24620070027	701,696
Total Indian Health Services			703,696
U.S. Department of Transportation			
Passed through Bureau of Indian Affairs:			
FY2012 IRR Construction CR220/Complex Roadway	20.205	AV12AV01244	617,256
U.S. Department of Health and Human Services (Direct)			
Title VI Part A	93.047	1117OKT6NS	62,368
Nutrition Services Incentive Program	93.053	1117OKNSIP	11,275
Special Aging Programs - Title VI Care Giver	93.054	1117OKT6CG	7,253
Special Diabetes Program for Indians	93.237	H1D9400046	108,486
MIPPA	93.518	1017OKMTRB	762
Promoting Safe & Stable Families	93.556	G-11QUOKFPSS	7,777
Promoting Safe & Stable Families	93.556	G-12QUOKFPSS	1,194
Subtotal			8,971
Low-Income Home Energy Assistance (LIHEAP)	93.568	G-12JMOKLIEA	9,188
Low-Income Home Energy Assistance (LIHEAP)	93.568	G-13JMOKLIEA	2,399
Subtotal			11,587
Child Care Development Block Grant Cluster:			
Child Care Development Block Grant	93.575	G-11QUOKCCDF	57,601
Child Care Development Block Grant	93.596	G-11QUOKCCDF	17,758
Child Care Development Block Grant	93.596	G-12QUOKCCDF	49,989
Subtotal			125,348

(Continued)

Otoe-Missouria Tribe of Indians

Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (Direct)			
(Continued)			
Head Start	93.600	90CI015920	137,586
Head Start	93.600	90CI015921	226,165
Subtotal			<u>363,751</u>
Child Welfare Services Title IV-B	93.645	G-11QUOKCWSS	5,869
Family Violence Prevention & Services	93.671	G-11QUOKFVPS	11,205
Family Violence Prevention & Services	93.671	G-12QUOKFVPS	3,198
Subtotal			<u>14,403</u>
Total Direct			<u>720,073</u>
U.S. Department of Health and Human Services			
Passed through the State of Oklahoma			
Promoting Safe and Stable Families	93.556	12014557 / PO# 0814557	20,019
Promoting Safe and Stable Families	93.556	13014308 / PO# 0914308	3,702
Total Passed through the State of Oklahoma			<u>23,721</u>
Total U.S. Department of Health and Human Services			<u>743,794</u>
U.S. Department of Agriculture (Direct)			
Supplemental Nutrition Program for Women, Infants and Children	10.557	2012IW100346/646	412,729
Supplemental Nutrition Program for Women, Infants and Children	10.557	2013IW100346/646	130,954
Supplemental Nutrition Program for Women, Infants and Children	10.557	2011IW500346	42,064
Supplemental Nutrition Program for Women, Infants and Children	10.557	2012IW500346	1,002
Subtotal			<u>586,749</u>
Wastewater System Improvement Project	10.770	00-05	688,053
Total Direct			<u>1,274,802</u>
Passed through the State of Oklahoma			
Child and Adult Care Food Program and Commodity Program	10.558	DC52-002	17,050
Child and Adult Care Food Program and Commodity Program	10.558	DC52-002	4,180
Total Passed through the State of Oklahoma			<u>21,230</u>
Total U.S. Department of Agriculture			<u>1,296,032</u>
U.S. Department of Labor (Direct)			
Native American Employment and Training	17.265	AB216891155A40	55,272

(Continued)

Otoe-Missouria Tribe of Indians

Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Grantor Number	Federal Expenditures
Environmental Protection Agency (Direct)			
Water Pollution Control State and Tribal Program Support	66.419	I-00F02301-1	137
Water Pollution Control State and Tribal Program Support	66.419	I-00F36001-0	102,135
Subtotal			<u>102,272</u>
Indian Environmental General Assistance Program	66.926	GA-00F19301	110,456
Total Environmental Protection Agency			<u>212,728</u>
Equal Employment Opportunity Commission (Direct)			
Employment Discrimination Contracts - TERO	30.009	EECCN100059	76
U.S. Department of Housing and Urban Development (Direct)			
Indian Housing Block Grant - NAHASDA	14.867	07IT4023140	12,260
Indian Housing Block Grant - NAHASDA	14.867	09IT4023140	32,515
Indian Housing Block Grant - NAHASDA	14.867	10IT4023140	80,978
Indian Housing Block Grant - NAHASDA	14.867	11IT4023140	51,722
Subtotal			<u>177,475</u>
ARRA Indian Housing Block Grant - NAHASDA	14.882	08-ST-40-23140	42,779
Total U.S. Department of Housing and Urban Development			<u>220,254</u>
U.S. Department of Justice (Direct)			
Charge CHI OWW 2010	16.587	2010-TW-AX-0009	142,335
National Endowment of the Humanities (Direct):			
Native American Library Services	45.311	NG-05-11-0059-11	6,414
U.S. Department of Energy (Direct):			
Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0001208	11,618
Total expenditures of federal awards			<u>\$ 4,998,385</u>

See Notes to Schedule of Expenditures of Federal Awards.

Otoe-Missouria Tribe of Indians

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Otoe-Missouria Tribe of Indians for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, and used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Otoe-Missouria Tribe of Indians

Summary Schedule of Prior Audit Findings Year Ended December 31, 2012

Finding		Status	Corrective Action Plan or Other Explanation
Findings Relating to the Financial Statement Audit			
Material Weaknesses and Significant Deficiencies			
2011-II-A	The Tribe did not have adequate supporting documentation for all financial transactions.	Not corrected	In March 2013, the Tribe outsourced their accounting services to Finley & Cook, PLLC. Their staff will now be responsible for ensuring all payments have adequate supporting documentation before issuing a payment.
2011-II-B	The Tribe did not record the per capita distribution to minors as an expenditure in the General Fund and a contribution in the Minor's Trust Fund.	Corrected	
2011-II-C	The Tribe has improper segregation of duties over the tax revenue and tribal member loans process.	Partially corrected	
2011-II-D	The Tribe does not have adequate procedures in place to ensure certain year end entries related to capital assets, accrued payroll, and accrued compensated absences are recorded in the correct governmental or enterprise funds or tribe-wide financial statements.	Corrected	
Findings and Questioned Costs Relating to the Federal Awards			
Significant Deficiencies			
2011-III-A	The Tribe did not follow its policies and procedures related to maintaining adequate documentation to demonstrate certain expenditures were allowable under the grant	Partially corrected	In March 2013, the Tribe outsourced their accounting services to Finley & Cook, PLLC. Their staff will now be responsible for ensuring all payments have adequate supporting documentation before issuing a payment.
2011-III-B	The Tribe did not follow its policies and procedures to maintain adequate documentation to support grant participant's eligibility in the grant programs.	Partially corrected	
2011-III-C	The Tribe's procedures did not include receiving certified payroll transcripts weekly from all contractors as required by the Davis-Bacon Act.	Partially corrected	

Otoe-Missouria Tribe of Indians

Summary Schedule of Prior Audit Findings (Continued)
Year Ended December 31, 2012

	Finding	Status	Corrective Action Plan or Other Explanation
2011-III-D	The Tribe did not have a procedure in place to monitor the tenant income levels to ensure not more than ten percent of the tenants are within the 80 to 100 percent of the median income.	Not corrected	The Housing Department implemented a recertification of all tenants after the new director and administrative assistant were hired in January of 2013. The Housing Department of the Tribe has implemented the necessary control procedures to monitor tenant population for compliance as required by federal laws and regulations. Since January three tenants that were within the 80 to 100 percent of median income range have moved out of the low income housing units.
Instances of Noncompliance			
2011-III-E	The Single Audit package was not submitted to the Federal Clearinghouse within the required time period and an extension was not granted by the oversight agency.	Not corrected	
2011-III-F	Quarterly and/or final financial expenditures reports and the annual performance report were not filed on a timely basis according to grant requirements.	Partially corrected	
2011-III-G	The Tribe did not follow the Property & Procurement policy.	Not corrected	In 2013 the Tribe will amend the Property & Procurement Policy for the bid process to reflect actual Tribal practices.
2011-III-H	The Tribe did not file the monthly narrative report within the required timeframe.	Corrected	
2011-III-I	The Tribe did not perform all required portions of the background investigations prior to hiring an employee.	Corrected	
2011-III-J	Inadequate documentation maintained to support the grant expenditures. See 2011-III-A above.	Partially corrected	
2011-III-K	The Tribe did not have adequate documentation to support grant participant's eligibility in grant programs. See 2011-III-B above.	Partially corrected	
2011-III-L	The Tribe did not receive certified payroll transcripts weekly from all contractors as required by the Davis-Bacon Act. See 2011-III-C above.	Partially corrected	
2011-III-M	The Tribe is not monitoring the tenant income levels to ensure not more than ten percent of the tenants are within the 80 to 100 percent of the median income. See 2011-III-D above.	Not corrected	See 2011-III-D above.



**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards**

Independent Auditor's Report

To the Tribal Council of
Otoe-Missouria Tribe of Indians
Red Rock, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Otoe-Missouria Tribe of Indians (the Tribe) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the financial statements of the Tribe's primary government, and have issued our report thereon dated January 31, 2014.

The financial statements of Otoe-Missouria Development Authority, a component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tribe's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tribe's internal control. Accordingly, we do not express an opinion on the effectiveness of Otoe-Missouria Tribe of Indians' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2012-A through 2012-C that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Otoe-Missouria Tribe of Indians' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Otoe-Missouria Tribe of Indians' Responses to Findings

The Tribe's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Tribe's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tribe's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

Davenport, Iowa
January 31, 2014



**Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Independent Auditor's Report

To the Tribal Council of
Otoe-Missouria Tribe of Indians
Red Rock, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Otoe-Missouria Tribe of Indians' (the Tribe) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Tribe's major federal programs for the year ended December 31, 2012. The Tribe's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Tribe's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tribe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Tribe's compliance.

Opinion on Each Major Federal Program

In our opinion, the Tribe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-H through 2012-Q. Our opinion on each major federal program is not modified with respect to these matters.

The Tribe's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Tribe's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of the Tribe is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Tribe's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tribe's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2012-D through 2012-G, that we consider to be significant deficiencies.

The Tribe's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned cost. The Tribe's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Davenport, Iowa
January 31, 2014

Otoe-Missouria Tribe of Indians

Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiencies identified?
- Noncompliance material to financial statements noted?

☐ Yes ☒ No
☒ Yes ☐ None Reported
☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified?

☐ Yes ☒ No
☒ Yes ☐ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
10.557	Supplement Nutrition Program for Women, Infants and Children
10.770	Wastewater System Improvement Project
15.030	Indian Law Enforcement
20.205	Fiscal Year 2012 IRR Construction CR220/Complex Roadway
93.441	Indian Self-Determination 638 Contracts

Native American Housing Program Cluster:

14.867	Indian Housing Block Grant - NAHASDA
14.882	ARRA - Indian Housing Block Grant - NAHASDA

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

(Continued)

Otoe-Missouria Tribe of Indians

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

Significant Deficiencies in Internal Control

2012-A

Finding: The Tribe did not have adequate supporting documentation for all of its financial transactions.

Condition: Sixteen of 335 tested expenditure transactions did not have supporting documentation.

Context: Pervasive to the financial statements as a whole.

Effect: Material misstatements to the financial statements or misappropriation of assets could occur.

Cause: The Tribe did not follow their policy to regarding approvals, reviews and maintaining supporting documentation for all financial transactions.

Recommendation: We recommend the Tribe follow its policies and procedures for the review and approval of financial transactions. In addition, adequate supporting documentation should be maintained for financial transactions.

Response and Corrective Action Plan: In March 2013, the Tribe outsourced their accounting services to Finley & Cook, PLLC. Their staff will now be responsible for ensuring all payments have adequate supporting documentation before issuing a payment.

2012-B

Finding: The Tribe had improper segregation of duties over the tax revenue and tribal member loans for a portion of fiscal year ended December 31, 2012.

Condition: The tax commissioner had the ability to approve and process tribal member loans, received the payment on those loans and posted to the loan record maintained by the loan department, deposited the money at the bank, provided information to finance for per capita withholdings for loan payments, provided the listing of loans to be approved to Tribal Council, and provided information to the Finance Department for posting to the general ledger system.

Context: Tax revenue and tribal member loan transactions.

Effect: Misstatements to the financial statements and potential misappropriation of assets.

Cause: There is a limited number of individuals/resources involved in the department and the process.

Recommendation: We recommend the cash collections be received by the Finance Department or an individual separate from the Tax Commissioner. We also recommend the general ledger system be reconciled to the loan system detail on a monthly basis. Lastly, we recommend deposits of cash receipts be made on a daily basis.

Response and Corrective Action Plan: In October 2012, the Tribe hired a Loan Officer who is responsible for receiving the loan application, obtaining proper documentation and for compiling the documents to be reviewed and approved by the Tax Commissioner and the Tribal Treasurer. Beginning in mid-2013 the loans are maintained by individual names and not loan number and loan payments are currently received by the finance department. In March 2013, the Tribe outsourced their accounting service to Finley & Cook, PLLC, who will be responsible for reconciling the loan accounts on a monthly basis.

Otoe-Missouria Tribe of Indians

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012**

2012-C

Finding: The Tribe does not have internal controls in place to ensure new tribal entities are identified timely, evaluated and reported properly as component units or investments of the Tribe as outlined in GASB Standards 14, 39 and 61.

Condition: The Tribe created and approved two entities, American Web Loans, Inc and Great Plains Lending, LLC. An evaluation of whether or not these entities were component units or an investment of the Tribe was not completed to ensure they were reported properly.

Context: New legal separate entities of the Tribe.

Effect: Misstatement to the financial statements and/or inappropriate reporting of the entities.

Cause: There was confusion regarding ownership of these entities due in part to turnover of some of the individuals involved. The tribal finance department was not included in the discussions and therefore didn't know these entities existed and needed to be evaluated.

Recommendation: We recommend the Tribe review all new legally separate entities under the component unit guidance to determine if the entity is a component unit or investment of the Tribe. The Tribe should maintain this evaluation in writing and report the entity appropriately within their general ledger system and financial report as appropriate.

Response and Corrective Action Plan: The Tribe acknowledges that in the past that it has not reacted to the formation of new tribal entities in a timely manner in part due to a high turnover of key personnel in the Treasurer's office. In the future, as part of any resolution that forms a new entity, there will be a directive that the Treasurer's office be notified of the resolution and be required on a timely basis to provide a written response as whether the newly formed entity will be treated as investment or a component unit and how it will be handled for financial reporting. This communication between the Tribal Council and the Treasurer's office should eliminate any future confusion and insure proper reporting for any new entity formed.

Compliance Findings

None

III. Findings and Questioned Costs for Federal Awards

Significant Deficiencies in Administering Federal Awards

2012-D

**U.S. Department of Health and Human Services (Direct)
Indian Self-Determination 638 Contracts (CFDA 93.441)
Federal Award Year 2012**

**U.S. Department of Agriculture
Supplemental Nutrition Program for Women, Infants and Children (WIC)
(CFDA 10.557)
Federal Award Year 2012**

Finding: The Tribe did not follow its internal controls related to maintaining adequate documentation to demonstrate certain expenditures were allowable under the grant requirements.

Otoe-Missouria Tribe of Indians

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

Criteria: 45CFR part 92.20, Standards for Financial Management Systems, states that the financial management systems must meet the standard of accounting records where grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. This standard further states that the financial management system must meet the standard of source documentation where accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

Condition: The Tribe did not have supporting documentation for certain expenditures charged to the programs.

Context: One of 60 expenditures for the Indian Self-Determination 638 Contracts grant and six of 60 expenditures for the WIC program tested did not have adequate documentation.

Effect: Potential unallowed costs charged to the grant.

Cause: The Tribe did not follow its policies and procedures to maintain adequate documentation of certain expenditures.

Recommendation: We recommend the Tribe follow its policies and procedures related to maintaining adequate documentation for all expenditures charged to the federal programs.

Response and Corrective Action Plan: In March 2013, the Tribe outsourced their accounting services to Finley & Cook, PLLC. Their staff will now be responsible for ensuring all payments have adequate supporting documentation before issuing a payment.

2012-E

U.S. Department of Health and Human Services (Direct)
Indian Self-Determination 638 Contracts
(CFDA 93.441)
Federal Award Year 2012

Finding: The Tribe did not follow its internal controls related to maintaining adequate documentation to support grant participant's eligibility in the grant program.

Criteria: The Code of Federal Regulations state that in order to qualify for the Contract Health Services component an individual must either reside in the United States and on a reservation located within a Contract Health Service Delivery Area (CHSDA) as defined under 42 CFR section 136.22; or, if he/she does not reside on a reservation, reside within a CHSDA; and be a member of the tribe or tribes located on that reservation or of the tribes or tribes for which the reservation was established; or maintain close economic and social ties with said tribe or tribes (42 CFR section 136.23(a.)). The Tribe uses an application checklist as part of their process to determine eligibility and provide oversight.

Condition: Certain participant files were missing proof of residency, CDIB cards and application checklist to document their eligibility with the program.

Context: Four of 60 tested were missing proof of residency documentation, three of 60 tested were missing CDIB cards and one of 60 tested were missing the application checklist in their files.

Effect: The Tribe may have expended grant monies for unallowable participants.

Cause: The Tribe did not follow its policies and procedures related to eligibility determinations. The participant's file or documentation could not be located.

Otoe-Missouria Tribe of Indians

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

Recommendation: We recommend the Tribe's procedures include performing residency and CDIB verification and retaining documentary evidence of all participants receiving benefits for eligibility determination. Checklists could be created and used to support this process. In addition, we recommend the Tribe review existing files and work to obtain any missing documents.

Response and Corrective Action Plan: Currently the administrative assistant reviews the participant files monthly to verify the file contains the required documentation and complies with the federal regulations.

2012-F

U.S. Dept of Agriculture (Direct)
Wastewater System Improvement Project
(CFDA 10.770)
Federal Award Year 2012

U.S. Department of Transportation
Passed through Bureau of Indian Affairs
FY2012 IRR Construction CR220/Complex Roadway
(CFDA 20.205)
Federal Award Year 2012

Finding: The Tribe did not obtain certified payroll transcripts weekly from all contractors as required by the Davis-Bacon Act.

Criteria: The Office of Management and Budget Circular A-133 states, *Nonfederal entities shall include in their construction contracts subject to Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).*

Condition: The Tribe did not follow its procedures to obtain the certified payrolls from the contractor or subcontractor nor did they review reports to ensure the prevailing wage was being paid.

Context: The IRR Construction Contract did not contain the prevailing wage clause. For the Wastewater Grant, there were no certified payroll reports received.

Effect: The contractor and subcontractors may not have paid employees wage amounts as required by the Davis-Bacon Act.

Cause: Tribe personnel did not follow its policies and procedures to obtain payroll reports from contractors.

Recommendation: We recommend the Tribe obtain and document the certified payrolls weekly from the contractors or subcontractors to comply with the Davis-Bacon Act requirements.

Response and Corrective Action Plan: Currently work contracted out by the Tribe requires the contractor and subcontractor to submit on a weekly basis to the Tribe a copy of all payrolls providing name, work classification, hours worked each day and rate of pay to confirm the company is in compliance with the Davis-Bacon Act. In addition, when the Tribe receives the certified payroll reports the received date is documented and the reviewer signs and dates the report after the report has been reviewed. Currently, the Tribe requires all construction contracts to include the prevailing wage clause.

Otoe-Missouria Tribe of Indians

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

2012-G

U.S. Department of Housing and Urban Development (Direct)
Indian Housing Block Grant – NAHASDA and
ARRA Indian Housing Block Grant – NAHASDA
(CFDA 14.867 and 14.882)
Federal Award Year 2012

Finding: The Tribe did not have internal controls in place to monitor the tenant income levels to substantiate that not more than ten percent of the tenants are within the 80 to 100 percent of the median income.

Criteria: Up to 10 percent of an annual grant may be used to provide housing assistance to families whose adjusted income (defined at 25 USC 4103(1)) falls within 80 to 100 percent of the median income (defined at 24 CFR section 1000.10). HUD approval is required to exceed this 10 percent cap or to provide assistance to families with incomes in excess of 100 percent of the median income (24 CFR Section 1000.110(d)).

Condition: The Tribe did not have a procedure in place to maintain a listing of the tenants with the medium income percentage they are in to be able to calculate the percentage of those tenants included in the 80 to 100 percentage of median income in order to determine compliance with the grant requirements.

Context: The tenants participating in the program with income between 80 to 100 percent of the median income.

Effect: Potential suspension of funding if the Tribe exceeded the ten percent earmarking requirement without gaining prior HUD approval.

Cause: The Tribe's internal control procedures were not adequate to monitor tenant income levels and to determine files were adequately summarized, analyzed, and reviewed to determine compliance with the earmarking limits.

Recommendation: We recommend that the Tribe implement control procedures to monitor tenant files and applications are appropriately reviewed and summarized in order to monitor tenant population for compliance as required by federal laws and regulations.

Response and Corrective Action Plan: The Housing Department implemented a recertification of all tenants after the new director and administrative assistant were hired in January of 2013. The Housing Department and the Tribe has implemented the necessary control procedures to monitor tenant population for compliance as required by federal laws and regulations. Currently, none of the tenants exceed the median income range.

2012-H

U.S. Department of Interior
Passed through Bureau of Indian Affairs
Indian Law Enforcement
(CFDA 15.030)
Federal Award Year 2012

Finding: The Tribe did not follow the Property & Procurement policy.

Criteria: OMB Circular A-133 requires Indian tribal governments to use their own procurement procedures provided they conform to applicable Federal law and regulations and standards identified in A-102 Common Rule. The Tribe's Property & Procurement policy states that a formal bidding process must be followed on purchases over \$5,000.

Otoe-Missouria Tribe of Indians

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

Condition: Quotes were obtained for the purchase of two Chevy Tahoes during the year, but formal bidding was required under the policy.

Context: The purchase of two Chevy Tahoes and related vehicle equipment.

Effect: Potential unallowed costs charged to the grant.

Cause: The Tribe did not follow the requirements of A-133 for procurement procedures.

Recommendation: We recommend the Tribe follow the formal bidding process for purchases as required by the policy or amending the policy for bidding thresholds. If the policy is not followed, then documentation should be maintained and approved by the Tribal Council with an explanation on why the policy was not followed.

Response and Corrective Action Plan: In 2014 the Tribe will amend the Property & Procurement Policy for the bid process to reflect actual Tribal practices.

Instances of Noncompliance

2012-I

**All CFDA numbers included on the schedule
of federal awards for year ended December 31, 2011**

Finding: The Single Audit package was not submitted to the Federal Clearinghouse within the required time period and an extension was not granted by the oversight agency.

Criteria: 45 CFR 74.269(d) essentially incorporates the deadlines of OMB Circular A-133 and dictates that audits' reporting packages should be completed and submitted within the earlier of 30 days after receipt of the auditors package or nine months after the end of the organization's fiscal year.

Condition: The Tribe accepted the December 31, 2011 audited financial statements on June 28, 2013. The Single Audit package should have been submitted to the Federal Audit Clearinghouse by September 30, 2012. The reporting package was submitted to the Federal Clearinghouse on June 28, 2013.

Questioned Costs: None

Context: The December 31, 2011 Single Audit package.

Effect: Potential suspension of funding provided by federal agencies.

Cause: The audit was not completed until June 28, 2013.

Recommendation: We recommend that either the Tribe file the reporting package timely to the Federal Audit Clearinghouse or request an extension for late filing from the oversight agency.

Response and Corrective Action Plan: In March 2013, the Tribe outsourced their accounting services to Finley & Cook, PLLC and will be working closely with them to ensure the single audit package is submitted in a timely manner to the Federal Clearinghouse for the fiscal year 2013 audit.

2012-J

**U.S. Department of Health and Human Services (Direct)
Indian Self-Determination 638 Contracts
(CFDA 93.441)
Federal Award Year 2012**

Finding: The Reports to the Indian People were not provided on a timely basis according to grant requirements.

Otoe-Missouria Tribe of Indians

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

Criteria: The Tribe is required to submit a Report to the Indian People bi-annually by August 1 and March 1.

Condition: The Report to the Indian People was not filed on a timely basis with the granting agency or to the Indian People.

Questioned Costs: None

Context: Both bi-annual Reports to the Indian People tested were not timely filed.

Effect: Potential suspension of funding.

Cause: Adequate resources were not applied and lack of an understanding of compliance requirements.

Recommendation: We recommend that the Tribe file the required federal reports as required by the grant agreements.

Response and Corrective Action Plan: In March 2013, the Tribe outsourced the accounting services to Finley & Cook, PLLC and will be working closely with them to ensure Reports to the Indian People are submitted on a timely basis with proper supporting documentation in accordance with the grant requirements.

2012-K

U.S. Department of Health and Human Services (Direct)
Head Start
(CFDA 93.600)
Federal Award Year 2012

Finding: Quarterly financial expenditures reports were not filed on a timely basis according to grant requirements.

Criteria: The Head Start grants require quarterly SF-425 reports be filed within 30 days after the end of the quarter.

Condition: Quarterly financial expenditure reports were not filed on a timely basis with the granting agencies.

Questioned Costs: None

Context: Two of four SF-425 Head Start reports tested.

Effect: Potential suspension of funding.

Cause: Adequate resources were not applied and lack of an understanding of compliance requirements.

Recommendation: We recommend the Tribe file required federal reports as required by the grant agreements.

Response and Corrective Action Plan: In March 2013, the Tribe outsourced the accounting services to Finley & Cook, PLLC and will be working closely with them to ensure quarterly financial reports and annual performance reports are submitted on a timely basis in accordance with the grant requirements.

Otoe-Missouria Tribe of Indians

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

2012-L

U.S. Dept of Agriculture (Direct)
Wastewater System Improvement Project
(CFDA 10.770)
Federal Award Year 2012

Finding: The Tribe did not submit the Proposed Operating Budget and Rate Schedule.

Criteria: The grant agreement specifies that the Proposed Operating Budget and Rate Schedule be submitted within 30 days after each fiscal year.

Condition: The Tribe did not follow the requirements of the grant agreement.

Questioned Costs: None

Context: The proposed operating budget and rate schedule.

Effect: Potential suspension of funding.

Cause: The Tribe did not have procedures in place to ensure the information was submitted timely.

Recommendation: We recommend the Tribe ensure all required reports and information are submitted timely by establishing a system to track all grant reporting with due dates.

Response and Corrective Action Plan: The Tribe has outsourced their accounting functions to Finley & Cook, PLLC. Finley & Cook is working with the Tribe to prepare the 2012 operating budget. The rate schedule is outlined in Resolution OMTC#88493.

2012-M

U.S. Department of Health and Human Services (Direct)
Indian Self-Determination 638 Contracts (CFDA 93.441)
Federal Award Year 2012

Finding: The Tribe did not perform all required portions of the background investigations prior to hiring an employee.

Criteria: 25 CFR section 63.17 requires that fingerprint charts should be compared to information maintained by the FBI or other law enforcement information maintained by other agencies for each job applicant.

Condition: Fingerprint charts were not maintained in the employee files.

Questioned Costs: Undeterminable.

Context: Five of five employees tested did not have all required portions of the background check done prior to hiring the employee.

Effect: Potential unallowed costs charged to the grant.

Cause: The Tribe did not ensure all portions of the background checks were performed prior to hiring an employee.

Recommendation: We recommend procedures be put in place to ensure the appropriate background check is performed and maintained prior to hiring an employee. We also recommend the Tribe perform the missing portion of the background check and include in the files.

Otoe-Missouria Tribe of Indians

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2012

Response and Corrective Action Plan: Currently, the program director works closely with the Human Resource Department to ensure all required portions of the background investigations are completed prior to hiring an employee.

2012-N

U.S. Department of Health and Human Services (Direct)
Indian Self-Determination 638 Contracts (CFDA 93.441)
Federal Award Year 2012

U.S. Department of Agriculture
Supplemental Nutrition Program for Women, Infants and Children (WIC)
(CFDA 10.557)
Federal Award Year 2012

Finding: Inadequate documentation maintained to support the grant expenditures. See 2012-D above.

Questioned Costs: \$4,768 for the Indian Self-Determination 638 Contracts grant and \$3,978 for the WIC program.

2012-O

U.S. Department of Health and Human Services (Direct)
Indian Self-Determination 638 Contracts
(CFDA 93.441)
Federal Award Year 2012

Finding: The Tribe did not have adequate documentation to support grant participant's eligibility in grant programs. See 2012-E above.

Questioned Costs: Amount of support provided related to meeting eligibility criteria.

2012-P

U.S. Dept of Agriculture (Direct)
Wastewater System Improvement Project
(CFDA 10.770)
Federal Award Year 2012

Finding: The Tribe did not receive certified payroll transcripts weekly from all contractors as required by the Davis-Bacon Act. See 2012-F above.

Questioned Costs: The amount of payroll expenditures included on the contractor invoices.

2012-Q

U.S. Department of Housing and Urban Development (Direct)
Indian Housing Block Grant – NAHASDA and
ARRA Indian Housing Block Grant – NAHASDA
(CFDA 14.867 and 14.882)
Federal Award Year 2012

Finding: The Tribe is not monitoring the tenant income levels to ensure not more than ten percent of the tenants are within the 80 to 100 percent of the median income. See 2012-G above.

Questioned Costs: Amounts provided to individuals in excess of the ten percent of tenants within the 80 to 100 percent. Actual amount is not determinable.

Otoe-Missouria Tribe of Indians

Corrective Action Plan Year Ended December 31, 2012

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
Findings Relating to the Financial Statement Audit:				
Significant Deficiencies				
2012-A	The Tribe did not have adequate supporting documentation for all financial transactions.	See corrective action plan at 2012-A.	Kari James	December 31, 2013
2012-B	The Tribe has improper segregation of duties over the tax revenue and tribal member loan process for a portion of the fiscal year.	See corrective action plan at 2012-B.	Kari James	December 31, 2013
2012-C	The Tribe does not have internal controls in place to ensure new Tribal entities are identified timely, evaluated and reported properly as component units or investments as outlined in the GASB Standards.	See corrective action plan at 2012-C.	Kari James	December 31, 2013
Findings and Questioned Costs for Federal Awards:				
Significant Deficiencies				
2012-D	The Tribe did not follow its internal controls related to maintaining adequate documentation to demonstrate certain expenditures were allowable under the grant requirements.	See corrective action plan at 2012-D.	Kari James	December 31, 2013
2012-E	The Tribe did not follow its internal controls to maintain adequate documentation to support grant participant's eligibility in the grant programs.	See corrective action plan at 2012-E.	Kari James	December 31, 2013
2012-F	The Tribe did not obtain certified payroll transcripts weekly from all contractors as required by the Davis-Bacon Act.	See corrective action plan at 2012-F.	Kari James	December 31, 2013
2012-G	The Tribe did not have internal controls in place to monitor the tenant income levels to substantiate that more than ten percent of the tenants are within the 80 to 100 percent of the median income.	See corrective action plan at 2012-G.	Kari James	December 31, 2013
2012-H	The Tribe did not follow the Property & Procurement policy.	See corrective action plan at 2012-H.	Kari James	December 31, 2013

(Continued)

Otoe-Missouria Tribe of Indians

Corrective Action Plan (Continued) Year Ended December 31, 2012

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
Instance of Noncompliance				
2012-I	The Single Audit package was not submitted to the Federal Clearinghouse within the required time period and an extension was not granted by the oversight agency.	See corrective action plan at 2012-I.	Kari James	December 31, 2013
2012-J	The Reports to the Indian People were not provided on a timely basis according to grant requirements.	See corrective action plan 2012-J.	Kari James	December 31, 2014
2012-K	Quarterly financial expenditures reports were not filed on a timely basis according to grant requirements.	See corrective action plan 2012-K.	Kari James	December 31, 2013
2012-L	The Tribe did not submit the Proposed Operating Budget and Rate Schedule.	See corrective action plan at 2012-L.	Kari James	December 31, 2013
2012-M	The Tribe did not perform all required portions of the background investigations prior to hiring an employee.	See corrective action plan at 2012-M.	Kari James	December 31, 2013
2012-N	Inadequate documentation maintained to support the grant expenditures.	See corrective action plan at 2012-D.	Kari James	December 31, 2013
2012-O	The Tribe did not have adequate documentation to support grant participant's eligibility in grant programs.	See corrective action plan at 2012-E.	Kari James	December 31, 2013
2012-P	The Tribe did not receive certified payroll transcripts weekly from all contractors as required by the Davis-Bacon Act.	See corrective action plan at 2012-F.	Kari James	December 31, 2013
2012-Q	The Tribe is not monitoring the tenant income levels to ensure not more than ten percent of the tenants are within the 80 to 100 percent of the median income.	See corrective action plan at 2012-G.	Kari James	December 31, 2013